

A collage of several office workers in a computer lab or call center environment. In the top left, a man in a light blue shirt and tie is looking at a document. Next to him, a man in a white shirt is working at a computer. To the right, a woman in a striped sleeveless top is at a computer. In the center, a woman in a green shirt is looking at a computer screen. To her right, a man in a blue shirt is writing in a notebook. In the bottom left, a woman in a white top is at a computer. In the bottom center, a woman in a blue shirt is looking at a computer screen. In the bottom right, a woman in a white sleeveless top is looking at a computer screen. The background shows large windows with a view of a building and trees.

South Carolina Retirement Systems

Accountability Report FY 2001

A division of the South Carolina State Budget and Control Board

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I. Executive Summary

I.1 The significant achievements in FY 2001 include the successful implementation of several legislative initiatives. The most profound impact to the system was realized as a result of the Teacher and Employee Retention Incentive (TERI) program. Of the 14,415 retirement applications received in FY 2001, 60 percent were for TERI participants with retirement dates of January 1, 2001 through June 30, 2001. Fifty-nine percent of the 3,290 school district employees electing TERI participation were teachers. Unprecedented numbers of members gained retirement eligibility as a direct result of the implementation of 28-year retirement and service purchase reform, both of which were legislatively enacted in 2000. Other achievements of great import include the enactment of the Optional Retirement Plan (ORP) expansion and consolidation, the implementation of the State ORP, the implementation of retirement payment plan reform, and the enactment of an increased post-retirement earnings limitation.

I.2 The mission, at the agency level, is “developing an effective public workforce by providing services and benefits.” At the division level, the mission is to promote employee security and well-being by offering retirement and insurance benefits that are relevant in design, clearly and fully communicated, and at a predictable cost to employers.

The values of the division are encompassed within the stated values of the Board:



I.3 For the Retirement Systems, key strategic goals for present and future years include the continuance of ORP expansion and accomplishing the consolidation of the higher education plan with the kindergarten through grade 12 (K-12) plan, offering investment education to employees, and focusing on the Deferred Compensation Program to encourage a savings plan for employees. These goals contribute to the development of a comprehensive retirement portfolio, offering additional financial security during retirement.

I. Executive Summary

The key strategic goals for Health Insurance Benefits include the integration of health benefits administration, information, operations, structure, and culture into the Retirement Systems, securing adequate funding for health benefits, increasing wellness awareness through an emphasis on employee well-being education, and the reduction of increasing utilization trends through demand management.

A common goal to both areas is the development of a benefit package for temporary employees.

I.4 The opportunities that may affect the achievement of these goals include the multiple avenues of customer feedback that offer re-design opportunities for the Retirement Systems, the acceptance of new utilization management strategies resulting from the extreme cost-pressure in the Health Insurance Benefits area, and, as a result of the new format for the annual accountability report, an opportunity to submit an application for the Baldrige award.

The primary barrier that will impact the achievement of the goals is that employers, especially state agencies, will be experiencing significant budget limitations, dampening the enthusiasm for benefit and coverage expansion.

II. Business Overview

II.1 The staff of the South Carolina Retirement Systems consists of 180 permanent employees.

II.2 The Retirement Systems is located at 202 Arbor Lake Drive, Columbia, South Carolina, and is responsible for the administration of four separate systems: the South Carolina Retirement System (SCRS), which provides benefits to teachers and employees of the state and its political subdivisions; the Police Officers Retirement System (PORS), which provides benefits to police officers and firefighters; the Judges and Solicitors Retirement System (JSRS); and the General Assembly Retirement System (GARS). Each of the systems has its own enabling legislation and administrative policy that guides its implementation.

II.3 The monthly administrative cost per active and retired member is \$4.09. Budget information will be included in the State Budget and Control Board's report.

II.4 The Retirement Systems' trust funds hold in excess of \$20.7 billion in assets and pay more than one billion dollars in refunds and recurring benefits each year to approximately 98,000 recipients. The key customers of the Retirement Systems are the 301,400 active and inactive members, and 82,000 annuitants to whom services are provided.

II.5 Key suppliers to the organization are the participating employers, the members of the four systems, other Board offices, the Office of the State Treasurer, the Retirement Systems Investment Panel, and the Office of the Comptroller General.

II.6 The Retirement Systems is customer centric. Thus, the primary focus of the organization is the administration of a comprehensive program of benefits responsive to the needs of public employees and the performance of fiduciary duties as stewards of the contributions and disbursements of the pension trust funds. The division saw an unprecedented increase in delivery of services in all areas this fiscal year.

Further contributing to the overwhelming numbers of retirees was the passage of 28-year retirement for members of SCRS and the liberalization of service purchase regulations. Service purchase reform had a tremendous impact on service provision, with the completion of 13,506 service purchase requests in FY 2001, an increase of 25 percent from FY 2000. The need to efficiently and comprehensively serve this growing segment of retirees continues to represent a significant challenge to the division as we anticipate ever increasing service demands. Currently, an all time high of 65 percent of retirees and beneficiaries receiving annuities participate in the electronic fund transfer program, which provides the security of knowing that their annuities are safely deposited in the bank.

Additionally, the Optional Retirement Program (ORP) was expanded to include all new employees of school districts in addition to the administrators and teachers in grades

II. Business Overview

kindergarten through 12 who currently are eligible to participate. For ease of administration of the program, this statute provided consolidation of the higher education ORP with the K-12 plan. An additional benefit provided to members was the increase of the earnings limitation to \$50,000 from \$25,000, and the consolidation of retirement payment plans offered from eight to three.

II.7 See organizational chart below.

Organizational Chart

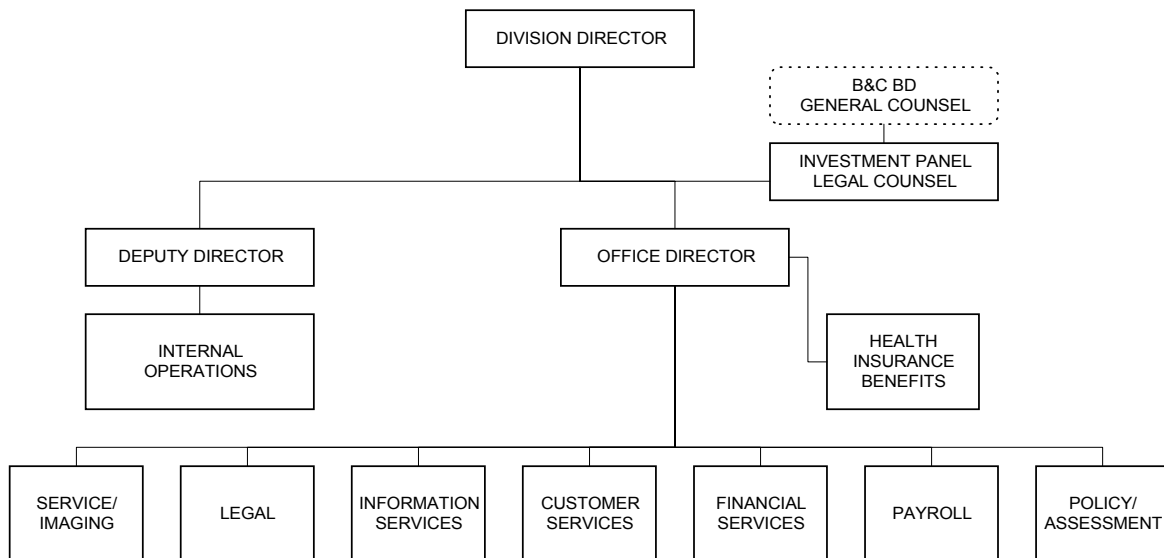


Figure II.7-1

III. Elements of Malcolm Baldrige Award Criteria

1 Leadership

1.1.a Employees of the Retirement Systems are committed to and have established an environment of open communication and mutual contribution toward achieving the division's customer-centric mission. Leadership emphasizes an open-door policy for all employees. Customer requirements, as communicated through face-to-face discussion between staff and members, surveys, intercept interviews, and focus groups, help in setting the direction of the division. A management team composed of managerial and supervisory personnel from operational and administrative departments serves to advise and review policy matters. This team meets weekly with senior leaders to establish and monitor the direction of the division, which is communicated to all employees through staff briefings by management. The division's direction is also apparent in the employee performance planning documents of the division's managerial staff. This tool serves as a mechanism to solicit staff feedback and to set and deploy the direction of the division on an individual basis. All managers are expected to support and contribute to this environment. Leaders work to improve and expand it.

1.1.b Performance expectations of the organization are reinforced through periodic staff briefings, reporting, work measurement, and positive reinforcement. They are determined in the goal-setting process.

1.1.c Daily personal contact with staff and e-mail missives are methods used to communicate the division's organizational values.

1.1.d The ongoing integration of the senior leaders' management philosophy, and the restructuring of work roles and processes, have resulted in a more customer-oriented, team-focused organizational culture much "flatter" than a traditional hierarchy. The senior leaders continually assess and improve the organizational climate while striving toward the goal of having everyone in the organization practicing the same reciprocal leadership philosophy with our members and their employers, and with management and staff yoked by mutually understood expectations. It is believed that to be effective leaders, management must meet the development needs of the division's employees. Conversely, each employee is responsible for taking the initiative to solicit appropriate feedback from his or her supervisor or team leader. Employees are empowered and encouraged to be innovative through personal support from senior leaders, an open-door policy, and suggestion opportunities.

1.1.e A focus on personal and professional development, and quality initiatives has led to an environment of increased interaction between management and employees, fostering a more positive attitude for service provision. As a result, all employees are encouraged to develop an annual training and development plan, which serves as a guide and deployment tool for employee learning. Continuous process-related training is provided, contributing to organizational learning.

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1.1.f Ethical behavior is communicated through personal comportment of the senior leaders as well as general discussion of cases and policy decisions. The goal is to lead by example through establishing shared standards of excellence to which all are held accountable.

1.2 Senior leaders promote the division's customer-centric mission through verbal and written communication, and the regular restatement of the division's purpose – to serve our membership through the administration of a comprehensive program of understandable and well-communicated benefits responsive to their needs. The key strategy for promoting customer focus organization-wide is to leverage the change process. The pace of change at the Retirement Systems has been very high. Each change is proposed, introduced, reviewed, justified, and explained in terms of better serving our customers. Specific examples of this include: 1) the organization was flattened to bring everyone closer to the customer – all employees serve customers directly; 2) a critical change through the implementation of the “no hand-off” rule – whoever fields the question is responsible for finishing the job and for meeting the customer's needs; 3) representatives of the Retirement Systems meet frequently with customer organizations to make presentations, respond to questions, or to offer training in new processes; 4) process changes are always directed toward simplifying and making more understandable both the benefits, and the customer interface, thus resulting in fewer customer inquiries, which impacts operational volume; and 5) internally we strive to reward constant challenge and reexamination of the status quo and maintain an enthusiasm for positive customer-focused changes at all levels and at all times.

1.3 Service provision numbers (volume, timeliness, error rates), customer feedback through surveys, intercept interviews, and focus groups, and perceived staff morale are all measures regularly reviewed by senior leaders to assess responsiveness.

1.4 Feedback from staff is encouraged and solicited to assess leadership and management performance. Additionally, aggregate process review and group discussion of individual cases are used to evaluate performance. An employee survey conducted this year noted that 100 percent of respondents strongly agreed or agreed that the top leadership of the Retirement Systems was capable. No trend data exists, as an employee satisfaction survey has never been conducted for this group of employees. Other surveys may be utilized to establish baseline employee satisfaction data as part of a comprehensive organizational and training plan to be implemented in FY 2002.

1.5 The impact of our services is determined through the use of customer, stakeholder, and staff surveys; intercept interviews; and focus groups. The impact of benefit or policy changes is communicated through employer notices, notices to the affected population, semi-annual active member and retired member newsletters, “From the Director” columns on our Internet website, and, of course, through our Customer Services Call Center and Customer Intake unit.

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1.6 Priorities for improvement are set and communicated through regular management meetings and through group consensus with employees of the division and our customers.

1.7 Community volunteerism is encouraged by the senior leaders and supported through accommodation of staff scheduling requests. There are opportunities within the organization to participate in charitable giving through contributions to the United Way, the United Negro College Fund; and the Community Health Charities (formerly the Good Health Appeal). Employees participate in the annual First Ladies' Walk for Life and periodic on-site American Red Cross blood drives. Additionally, the division participates in the Richland County School District One Lunch Buddies Program with an elementary school in the area. Notable individual volunteerism includes guardian ad litem efforts, pet therapy, and pro bono legal representation.

2 Strategic Planning

2.1 At the office level, strategic goals are developed by the division and office directors, the executive managers, and the senior staff to further the Retirement Systems' mission of serving the retirement needs of South Carolina's public workforce. Planning for the division's customer-centric future is encumbered by its primary obligations of financial stewardship of retirement trust funds and administration of the retirement plans in accordance with Internal Revenue Code guidelines, and state statutory and regulatory directives. While incumbent upon division management to ensure the financial integrity and long-term stability of the Retirement Systems, management must work concomitantly to preserve and enrich the benefits provided to the membership.

2.1.a A compelling challenge for the Retirement Systems is to continue to offer competitive yet affordable benefits to the membership. Numerous legislative changes to retirement statutes in FY 2001 yielded enhancements to benefits, and while these changes were positive for members, accommodation of the changes necessitated drastic modification of business practices and massive revision of automated systems. Among the major statutory changes were 28-year retirement eligibility, retirement payment plan changes, service purchase reform, the TERI Program, and expansion of the State ORP. Portability of benefits has been identified as an important tool in the successful recruitment and retention of teachers. To meet these needs, the State ORP was expanded to include both teachers and educational staff at the state's public schools. The program will be expanded to the general state employee population in FY 2003. The State ORP expansion is viewed as a complementary alternative to the defined benefit plan. Division staff responded effectively to member demands and provided members with comprehensive information about the changes to assist members in the necessary evaluation of their retirement plans.

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2.1.b Another important goal was to assess and evaluate additional benefits and alternative retirement features for required funding and for compatibility with state and federal laws. Several benefits changes were proposed during FY 2001, including an increase in the service retiree earnings limitation to \$50,000 from \$25,000, increased portability of benefits, and an expansion of Deferred Compensation Program participation. Division staff discussed these proposals with policymakers to explain the impact on the Retirement Systems and provided policymakers with actuarial analyses of the proposed changes and comparative data from other retirement plans. The financial soundness of the Retirement Systems is measured through annual actuarial valuations provided for each system by an external actuary (Watson Wyatt Worldwide). Additionally, every five years an experience study is performed. Statutory changes are assessed prior to enactment and a fiscal impact statement on each proposed change is provided to the Legislature. External auditors also evaluate the internal accounting systems. The Retirement Systems has received the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the 14th consecutive year.

2.1.c-d Workload assessment and the allocation of human resources are important to the success of the division. In response to the division's primary focus of providing retirement services to its membership, the majority of our human resources are devoted to direct customer service. Extensive cross training allows human resources to be reallocated depending on existing staffing needs and shifting demands for services. Systems and programming modifications were required due to statutory changes. Departmental needs were prioritized through meetings with executive managers and Information Services staff. The strategic plan incorporates goals that will necessitate programming enhancements and improved on-line capabilities for employers. The operational capabilities and needs are identified and assessed through meetings with key staff, including executive managers and the office director.

2.1.e As partners, our employers' needs are formally and informally identified through feedback received from surveys, focus groups, and anecdotal communications. Process improvements and programmatic changes have resulted directly from these communications. Examples include the expansion of employer access to our Electronic Employer Services (EES) system and development of on-line entry capabilities. One goal developed in direct response to requests by employers and members is the expansion of on-line entry capabilities to include employer enrollment and, eventually, retirement applications. Video conferencing has been made available on a limited, pilot basis and has been well received by participants.

2.2-3 There are no plans addressing key strategic objectives that are expressed as formal actions. However, plans for goal achievement are incorporated as part of the strategic goal development process and are expressed as interval objectives. Additionally, evaluation criteria are developed to determine the success of the implementation. The goals are communicated via e-mail to all managers, who are responsible for communicating with

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their respective staff. A constant responsibility of senior management is to ensure all staff are informed of goals and performance expectations.

3 Customer Focus

3.1 Key customers for the South Carolina Retirement Systems are the 220,000 active employees, the 81,919 annuitants (includes retirees and surviving beneficiaries), and the 769 covered employers. Our stakeholders include the citizens of South Carolina who are either directly or indirectly dependent upon the competent administration of the state's most comprehensive public pension plans. The administration of retirement benefits represents a fiscal impact to the state of more than one billion dollars annually. In addition to key customers and citizens, our stakeholders include the Retirement Systems' 180 full-time permanent employees and the South Carolina General Assembly.

3.2 The key customer population for the Retirement Systems is determined through legislation that defines eligibility for participation in the Retirement Systems and directs the administration of the four systems. The eligibility criteria for membership regarding covered employment for both employers and employees is based upon the Internal Revenue Code and the rulings regarding tax qualified public pension systems under which we operate.

The Retirement Systems always balances the Systems' legal requirements against our customers' key requirements. The majority of customer key requirements are defined through core processes such as benefits administration, accounting services, death claims, and service purchase. In FY 2001, identification of our customers' key requirements was assessed through our Customer Services unit, which interacts daily with members, annuitants, and employers, written surveys of both annuitants and employers, on-site intercept interviews and focus groups.

Retirement Systems management has analyzed and compiled customer feedback information to gain better understanding of the requirements of our customers. Through process management, all managers are tasked with ensuring that their departmental services address these requirements while ensuring compliance with both state and federal laws.

3.3 To enhance our understanding of key requirements as defined by our customers, we rely on periodic feedback from our Customer Services unit and the administration of an annual customer survey of retirees and employers. In FY 2001, we sought more depth to the feedback we receive on key service requirements; therefore, we conducted focus groups and customer intercept interviews. The intercept interviews allowed us to gain immediate customer feedback after personal interaction with Retirement Systems staff.

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3.4 In FY 2001, the Retirement Systems administered written customer satisfaction surveys to 769 employers and 2,362 retirees, with response rates of 54 percent and 34 percent, respectively. We have reviewed the information provided in terms of the five dimensions of customer service. In general, respondents gave the Retirement Systems favorable ratings in all service areas. Due to the importance of communication, we asked our customers about their preference for communication and the types of communication they request from us. Their responses indicate that communication by telephone is the preferred method and retirement, benefit, and service credit information were the most requested types of information. In addition to customer surveys, we conducted on-site intercept interviews with customers visiting the division. We also conducted three focus groups, two consisting of employer benefits and finance personnel, and one with active members, to obtain more in-depth information concerning our service delivery. This information will be used in the division's process management of service delivery.

3.5 In FY 2001, we administered three surveys: an employee satisfaction survey, an employer satisfaction survey, and a retired member satisfaction survey. We also conducted intercept interviews with customers immediately subsequent to their visit with a retirement consultant. Three focus groups were conducted as well. One group, conducted in Aiken, SC, consisted of active members. The other two groups, conducted in Columbia, SC, consisted of employer benefits and finance personnel from school districts across the state. We plan to expand satisfaction measurement efforts in FY 2002, especially among active members who are approaching retirement since this population utilizes more of our services than any other.

3.6 Customer relationships are a major priority of the Retirement Systems. We strive to be accessible, professional, and empathetic. The key distinction between our customers and employer stakeholders is that our customers receive our services, and while employers are recipients of our services, they also are suppliers of information and contributions.

4 Information and Analysis

4.1 We measure all operations and processes related to direct customer service. The Retirement Systems has numerous, large volume transactional measurements due to our transaction-based operations. Additionally, the majority of our transactions have imposed deadlines determined either by statute or customer request. Due to transactional volume and required efficiency, we must closely monitor the processing of transactions, as these are critical success factors that will ensure successful business results.

4.2 The majority of operations and processes that we measure are aligned and integrated with our organizational mission of maintenance of member retirement or TERI accounts, retirement of members as directed by a requested or required date of retirement, and payment of monthly annuity benefits, requested refunds, and death benefits. Because

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of the interrelated nature of the Retirement Systems' operations and processes, all must be performing at satisfactory levels to ensure required business results. When operations that are not performing at satisfactory levels are identified, management implements operational changes to address deficiencies after conferring with staff and customers. Because of demands created by legislative reform and retirement incentives, operational changes have been implemented on a frequent basis to accommodate customer requirements.

Although all of our internal measures are aligned to our mission, we have not compared these measures to other similar organizations' benchmarks and targets. One of the significant challenges we face in FY 2002 is identifying other public pension funds that are organized and legislatively directed similarly to the South Carolina Retirement Systems and benchmarking against their performance measures.

4.3 Operational process information is reviewed on a weekly basis by all levels of division management. This same information is generally posted in departments and/or available to all Retirement Systems employees. Following assessment, management will act upon the information to effect operational changes needed to accomplish retirements, timely annuity, refund, or death benefit payments, service purchase transactions, account audits and other essential pension program activities. Operational changes include cross training, staff reassignment to areas with immediate need, or requesting staff to work additional hours. Retirement Systems staff understand the need to have efficient operational processes and therefore support decision-making based upon process information.

4.4 At present, operational information is compared to previously compiled internal operational data. All essential operational processes are closely monitored for compliance with time requirements. Due to nature of the division's operations, we have tremendous amounts of transactional information. We continue to develop and refine these measurements.

5 Human Resource Focus

5.1 To help employees realize their full potential, each employee is encouraged to develop, in conjunction with his or her supervisor, an individual career development and training plan to identify specific training needs that are aligned with the division's goals. Programs such as the mentoring program and tuition assistance offer opportunities for employees to broaden their horizons and develop their full potential. Cross training is utilized not only to provide employees opportunities to enhance and refine their business knowledge base, but as a valuable human resource allocation tool.

III. Elements of Malcolm Baldrige Award Criteria

5.2 A well-trained, knowledgeable and skilled workforce is essential to our success and efficiency. Retirement Systems employees are encouraged to pursue opportunities for professional and career development through participation in a variety of programs. The ultimate goal of our continued focus on training is to develop a workforce with the knowledge, skills and attitudes important to: present and future organizational success in meeting missions and goals; present and future individual employability and job success; and optimal fit of organizational and individual goals. Training needs are identified through observation and assessment by supervisors, identification by employees, and more formally, through the use of the Employee Performance Management System.

Job-skills training is provided in all areas, with more intensive and in depth training provided in the Customer Services area. Employee orientation and safety training are required for all new employees, and are provided centrally through the Office of Internal Operations. A formal plan to provide diversity training, leadership self-management, Baldrige techniques, and workforce planning has been developed for Retirement Systems and Health Insurance Benefits staff. This specific training and focus on process improvement and measurement will be continuous, with the development of a comprehensive plan to be implemented in FY 2002, incorporating Baldrige as a common element to all staff training. Additionally, key staff will be provided training opportunities in self-performance measurement.

5.4 The management of the Retirement Systems recognizes that employee satisfaction is requisite to customer satisfaction. Several methods of assessment are used to determine employee well-being, satisfaction and motivation. Informal methods include anecdotal information, observation and verbal dialog between employees and management. Formal assessment methods include employee satisfaction surveys. The organization contributes to employee well-being by maintaining an emphasis on families and flexibility. Several employees have modified schedules to accommodate special needs for formal education, to transport school-age children, and to care for aging parents. Flexible scheduling contributes to a more positive and motivated workforce. Other tangibles contributing to employee satisfaction include an excellent benefits package including retirement, medical, dental, and life insurance; a deferred compensation program; and a generous leave accrual system. An Employee Assistance Program provides counseling services, assistance with substance abuse, and financial counseling. Employee recognition activities include an Employee of the Year Program, an annual holiday brunch, individual departmental gatherings celebrating group and individual achievements, recognition in the "Gold Star Corner" of the division's employee newsletter, and bonuses for excellent performance.

5.5 Regular safety inspections of the physical plant by the Office of General Services and the Division of State Fire Marshal contribute toward maintenance of a safe work environment, as do regular fire drills and inspections of equipment, such as fire extinguishers. OSHA training to provide safety awareness is required for all employees. Annual health screenings, flu shots, blood drives and wellness walks are examples of

III. Elements of Malcolm Baldrige Award Criteria

contributions toward a healthy workforce. We have installed ergonomic workstations where and when possible utilizing modular furniture pieces from previous office configurations within the building. Ergonomic chairs and keyboards are at many workstations. Larger computer monitors have been installed for staff whose primary job duties require continuous or multiple-window viewing of information on a computer screen (such as our Call Center employees).

5.6 Division staff are encouraged and supported to participate in civic and community service through flexible scheduling and emulation of senior leaders' participation on various boards and commissions. Among the programs in which staff are involved are Prescription Paws, a pet therapy program providing services to senior centers, hospices and other facilities around the Midlands; the Guardian Ad Litem Program; the Emergency Preparedness Division's disaster support team; the Historic Columbia Foundation; and the Richland County School District One Lunch Buddies Program. Blood drives are held regularly on-site to support the American Red Cross and staff participate in the annual First Ladies' Walk for Life. Financial munificence is evident in the generosity shown through charitable giving to the United Way, the United Negro College Fund, and the Community Health Charities (formerly the Good Health Appeal). We also are exploring ways to facilitate community involvement.

6 Process Management

6.1 The Retirement Systems continuously incorporates customer requirements into new data processing technology. Significant projects completed in FY 2001 include 28-year retirement modifications to claims annuity, Electronic Employer Services, and payment management applications; TERI incorporation and implementation in the claims annuity and payment management applications; service purchase reform incorporation and implementation in the service purchase application; implementation and conversion of a new general ledger package; update of the Retirement Systems' Internet website; and initial implementation of a 32-bit document management system.

6.2 All of the division's key service delivery processes are a direct result of key performance requirements determined by our strategic goals and statutory provisions. Examples of these are: age and disability retirements; service purchase requests; customer counseling services; death claims for beneficiaries; refund requests; monthly annuity payments; and other customer requests (such as account audits). In addition to member services, the Retirement Systems must respond to legislative and employer initiatives such as the TERI Program, agency retirement incentives, separation of service incentives, employer consolidations, and other employer initiatives such as service purchase programs. In addition to all of the division's programs meeting key performance requirements as directed by strategic goals and statutes, service delivery is also founded on

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operational quality to include timeliness and reliability of information, customer-focus, and financial stewardship.

6.3 Our key support processes are predominately founded on automated information systems, financial and accounting management, facilities management, and intergovernmental relations. The division's Information Services department provides integrated information management. The department is a core competency to the Retirement Systems' mission and provides technical support and efficient computer applications to staff and customers for rapid, reliable access to member and employer information. Information Services anticipates intensive workload challenges and responds with computer applications that integrate legislative and customer requirements. Information Services continues to incorporate new technology advancements into division processes which provide internal users and external employers with better service and access to retirement information.

While division financial management is integral to Retirement Systems operations, financial and accounting management is at the core of the division's key support processes as it relates to the pension accounting system that maintains more than 300,000 accounts and oversees in excess of \$20 billion dollars annually. All division operations are predicated on the establishment and maintenance of member service records for determining disability and retirement eligibility, benefit levels, and survivor beneficiaries. Additionally, financial management includes the pension accounting system for recording and assessing the financial activity of member accounts, and monitoring the condition of retirement trust funds.

Facilities management is a key support process within the organization and is coordinated in conjunction with the Office of General Services, which provides these services. To ensure a safe and pleasant working environment, general maintenance plans exist for most facets of the physical plant, including electrical, mechanical and maintenance, as well as regular safety inspections by the Fire Marshal and OSHA. Improvements and updates to the processes result from information and suggestions provided in employee and customer surveys and through inspection results and recommendations.

As the division administers four retirement systems to state employees, county and city employees, school district employees, police officers and firefighters, judges and solicitors, and members of the General Assembly, it must maintain constructive intergovernmental relations. The Field Services unit is dedicated to training employers in all aspects of the Retirement Systems' member benefits, reporting procedures, and the Internet-accessed EES system. Regional meetings are also useful means for stakeholder feedback. Field Services staff brief the governing bodies of prospective new employers on member benefits and new employer liability regarding potential costs associated with joining the Retirement Systems. Field Services also meets with employees as requested to present benefits overviews and preretirement education seminars. The unit also coordinates and

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conducts retirement seminars designed to better prepare members who are within one year of retirement.

The Retirement Systems continuously strives to provide information to our 769 employer stakeholders who perform ancillary administration of the retirement programs. Through on-site visits, regional training and legislative update sessions, and day-to-day contact, the Retirement Systems' staff facilitates processes for our employer stakeholders.

6.4 The Retirement Systems is completely dependent upon our partner relationships with employers since they provide the information needed for financial accounting, and with employers and members for the information necessary to process service and disability retirement claims. The division applies the team approach at many levels to facilitate all processes. By segmenting our Customer Services claims processing staff, who also are cross trained, into three dedicated units (Annuity Claims, Refund Claims, and Death Claims), we can provide better service to employers and members. By dividing our Financial Services department into four dedicated units (Accounting, Employer Reporting, Enrollment, and Member Account Services), employers can get answers and help without delay.

We provide direct supplier/partner support through our Customer Services Call Center, Customer Intake unit, and Field Services unit. Surveys, focus groups, and intercept interviews were conducted in FY 2001 to determine satisfaction with our service delivery among our suppliers/partners.

Our Field Services unit actively promotes the EES system during employer training sessions and in our employer newsletter, *FYI*. Field Services conducts EES training to reduce the online learning curve. Field Services staff's goal is to have all state agency employers using EES by the end of FY 2002. Employer Reporting unit staff also encourage participation in EES. The Employer Reporting unit works with employers one-on-one to resolve reporting errors. EES enables employers to identify reporting errors and to initiate corrections.

Other Board offices, such as the Office of Internal Operations, are integral to the division's personnel transactions. The Office of Information Resources provides various telecommunication and information services. The Office of Comptroller General produces the division's payroll checks, both employee and annuitant. Retirement Systems staff in the departments utilizing these services work closely with these partners/suppliers to facilitate the respective processes.

Performance improvement is contingent upon feedback from supplier and partners. Feedback is acquired through surveys and focus groups.

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7 Business Results

Customer-Focused Results	Financial and Market Results	Human Resources Results	Supplier and Partner Results	Organizational Effectiveness Results
Call answer time within 3 minutes	Posting of member information (95% within 20 days, 100% within 45 days)	Employee satisfaction survey pilot project	Percentage of employers using EES; percentage of members they represent	Service delivery: call answer time; call research; visitor wait time; annuity checks; service purchase request invoices; customer satisfaction
Percentage of call research completed within 3 business days; percentage not completed and time-frame in which completed	AFC finalization within 30 days	Annual individual development planning	Employers	Annual actuarial valuations
Visitor wait time of less than 15 minutes	GFOA certificate for excellence in financial reporting		Members	
Average number of days to release first (estimated) annuity check	Annuitant COLAs		Other Board offices	
50% of service purchase request invoices completed within 30 days	Annual administrative cost per member		Comptroller General's office	
Increase number of annuitants on direct deposit				
Number of refund and death claims processed				
95% of all documents imaged within 24 hours				
Number of inactive accounts moved to another status				
Annual Information Services down time of 9 hours				
Respond to 100% of help desk calls within one hour				
Satisfaction with retiree publications				
Customer satisfaction: focus groups, intercept interviews, surveys				

Figure 7-1

7.1 Customer-Focused Results

The Retirement Systems measures customer satisfaction through our myriad functions as well as through focus groups, surveys, and intercept interviews. Performance measures are reviewed annually for continued applicability; however, the enormous volume of retirement claims, service purchase requests, calls, and visits brought about by legislative reform of retirement statutes skew this year's results with or without goal adjustments.

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The total number of calls coming into the Customer Services Call Center increased 45 percent in FY 2001 to 250,324. The Call Center answered 166,291 calls in FY 2001, up 23 percent from 135,614 in FY 2000. One of our Customer Services Call Center's goals is to answer all calls within three minutes during non-peak times (five minutes during peak times). Due to the staggering influx of calls resulting from widespread legislative changes to retirement statutes, the call wait time increased to an average of 4.22 minutes in FY 2001, a 137 percent increase from an average of 1.78 minutes in FY 2000. Not all calls can be responded to without further investigation; so another goal relative to calls is to complete 100 percent of call research within three business days. Research for 92 percent was completed within three business days. The remaining 8 percent were completed within fewer than eight days. Customer Services received 4,390 Internet email inquiries during FY 2001, up 139 percent from 1,836 in FY 2000.

Since many customers visit the Retirement Systems, we measure the time they have to wait to meet with a retirement consultant. The Customer Services' Customer Intake unit's goal is to see all visitors within 15 minutes of arrival. Despite a 92 percent increase in the number of visitors from FY 2000 (18,660 in FY 2001 compared to 9,733 in FY 2000), visitor wait time for those with an appointment was 10.4 minutes, down from 11.4 minutes in FY 2000. The wait time for customers without an appointment, or walk-ins, was 11.1 minutes, an increase from 10.6 minutes in FY 2000.

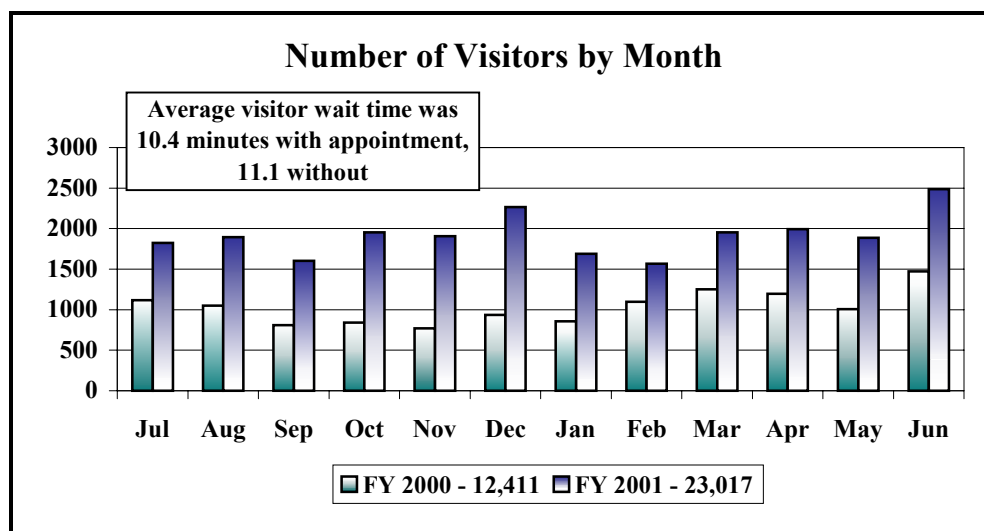


Figure 7.1-1

One of the most critical functions we perform is providing retirement annuities; therefore, it is imperative that annuity checks be issued as quickly as possible to new annuitants. In doing so, the Retirement Systems releases annuity claims in an estimated status. This allows a member to receive a benefit in the month immediately following his or her retirement, but provides for finalization of the benefit once all information, such as unused leave reported by the employer, is received. In FY 2001, disability annuity claims were

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released in estimated status in an average of 18 days. Service annuity claims were released estimated in an average of 26 days.

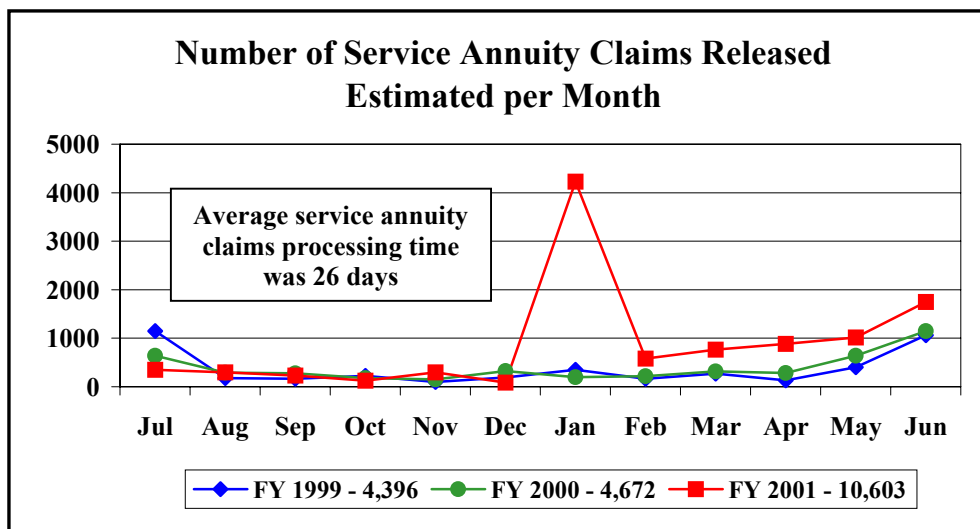


Figure 7.1-2

To further ensure the security of annuity checks, the Retirement Systems continually seeks to increase the number of annuitants on direct deposit. This year's goal was to increase the percentage of annuitants on direct deposit by 10 percent. In FY 2001, 65 percent of the total 81,919 annuitants were on direct deposit, a 9.5 percent increase from FY 2000.

Active Retirement Systems members may purchase service for certain periods of previous employment. The service purchase statutes were reformed significantly in FY 2001, resulting in an influx of requests for service purchase invoices prior to a December 31, 2000, deadline for purchasing service under the previous statutes. The addition of 28-year retirement eligibility and the TERI Program effective January 1, 2001, further added to the number of requests received as members rushed to purchase service to meet retirement eligibility, and subsequently, TERI Program eligibility. The Service department's goal is to complete at least 50 percent of all service purchase request invoices within 30 days of request receipt. Twenty-nine percent of the 13,506 service purchase requests completed in FY 2001 were completed within 30 days. It is notable that four-to-five times the number of purchase invoices issued were calculated for members who requested costs for different service amounts.

Among the other services the Retirement Systems provides to customers is the processing of refund and death claims. In FY 2001, we processed more than 18,000 refund and death claims.

The Retirement Systems established the Inactive Member Program in 1998 to identify and contact all qualified inactive account members by conducting research and mailing

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statements and information to the defined individuals. An inactive account is one into which contributions have not been made for at least one fiscal year. The idea is to move these accounts from inactive status to another status depending on whether the member elects a refund of his or her contributions or leaves his or her contributions in the account to draw a deferred annuity. The Inactive Member Program's FY 2001 goal was to mail at least 2,000 packages to inactive members each month; a goal that was exceeded in 11 of the 12 months. This goal was adjusted from 1,000 per month in FY 2000. To date, these members have applied for refunds totaling more than \$48 million, \$33 million of which was applied for in FY 2001 alone. Of the nearly 130,000 members in the inactive member database, almost 16,000 have been identified and moved from inactive to another status since the program began.

The Retirement Systems has internal customers as well. The Imaging department images paper and microfilm documents that are filed and indexed, and made available to other staff. The increase in retirement claims and service purchase requests filtered down to the Imaging department as well, and despite the inundation, last year's goal of imaging 90 percent of all documents within 24 hours was adjusted to 95 percent for FY 2001. The Imaging department imaged 99.9 percent of all paper and microfilm documents within 24 hours in FY 2001. All departments are dependent upon imaged documents and the quick availability of these documents is crucial to providing services.

The Information Services department provides services to all departments. The most critical of the Information Services department's goals is to have annual system down time of no more than 9 hours. In FY 2001, the Information Services department reported system down time of 13.5 hours; seven hours of which were the result of difficulties with the EES system. These problems did not affect internal operations or systems. The Information Services Help Desk responded to 99.99 percent of the 3,147 help desk calls received in FY 2001 within one hour.

Customer Satisfaction was measured during FY 2001 through surveys, focus groups, and intercept interviews. The Retirement Systems sent an 11-question survey to all 769 covered employers and a 15-question, multi-faceted survey to a random sample of 2,362 members who had retired from April 2000-2001 (within the previous 12 months). Almost 54 percent of employers responded to the survey, yielding an overall excellent or good rating of 88.36 percent. Fifty-five percent of employers responded that the service provided by the Retirement Systems improved from FY 2000. Of the more than 34 percent of retirees responding to the survey, 96.17 percent rated the overall performance of the Retirement Systems as excellent or good. Almost 35 percent of retirees responded that service had improved in the last year.

Retirees also rated specific Retirement Systems publications. Ninety-three percent of retirees responded that the *Systems Update* newsletter, SCRS brochure, and PORS

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brochure were excellent or good. The Internet website was rated excellent to good by 88.60 percent of respondents. Comments and feedback are solicited from our website as well.

In addition to the written surveys, three focus groups were conducted, one consisting of active members and two comprised of employer benefits and/or finance personnel. Intercept interviews with visitors to the Retirement Systems were also conducted. These individuals were interviewed following a session with a retirement consultant. Figures 7.1-3, 7.1-4, and 7.1-5 reflect the overall satisfaction findings, exclusive of the survey results reported on page 19.

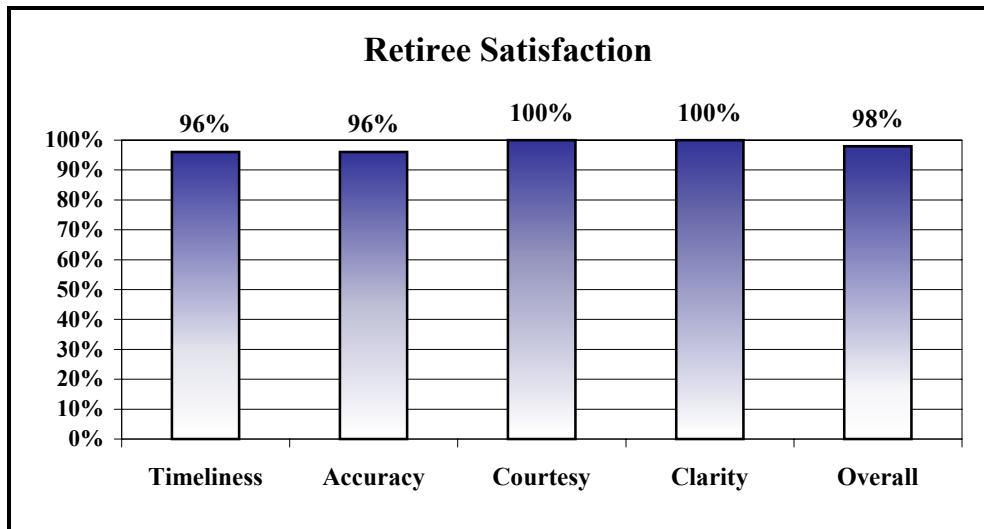


Figure 7.1-3

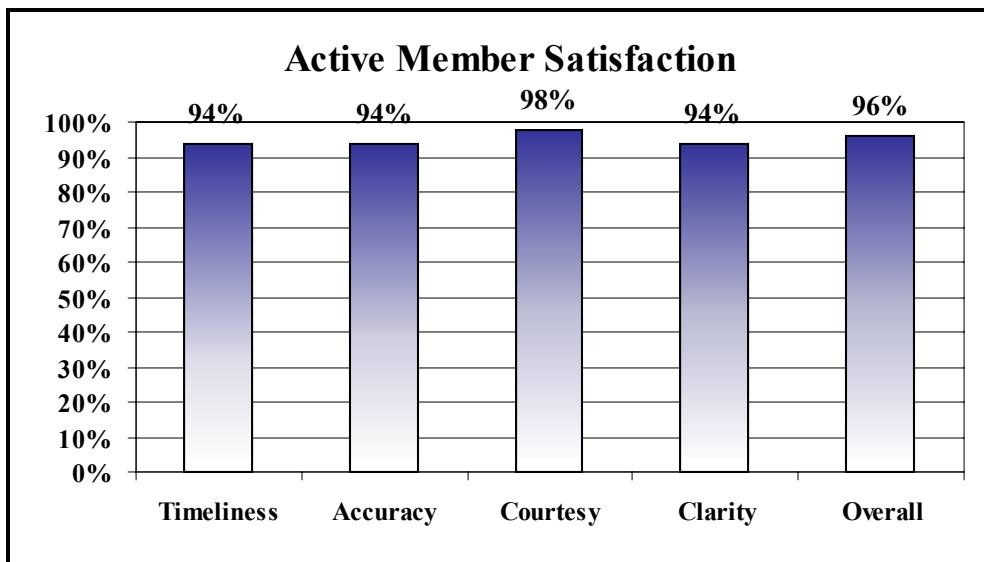


Figure 7.1-4

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Figure 7.1-5

7.2 Financial and Market Results

The Retirement Systems' customer-centric mission includes: providing an affordable, comprehensive pension system; timely posting of member and employer contributions; timely calculation of member average final compensation; maintaining a financial reporting system that is recognized as reliable and accurate; and providing annual cost-of-living adjustments to annuitants.

One of our Financial Services department's goals is to process 95 percent of all information establishing and updating member records, which includes earnings verification, contributions, and service credits for each and every member, within 20 days and 100 percent within 45 days. Since Financial Services data is not finalized until mid August, we have included the June 2000 quarter information to have a full year of data. Ninety-three percent of SCRS and PORS member information was posted within 20 days and 99.3 percent was posted within 45 days. Another critical function involves average final compensation (AFC) calculation. A member's retirement annuity is based on his or her AFC, the member's years of service, and a multiplier. Financial Services continually strives to reduce the number of days required to finalize an AFC. From March 2000 through March 2001, the average number of days to finalize an AFC was 17.95, down from 25.25 days for the previous 12-month period.

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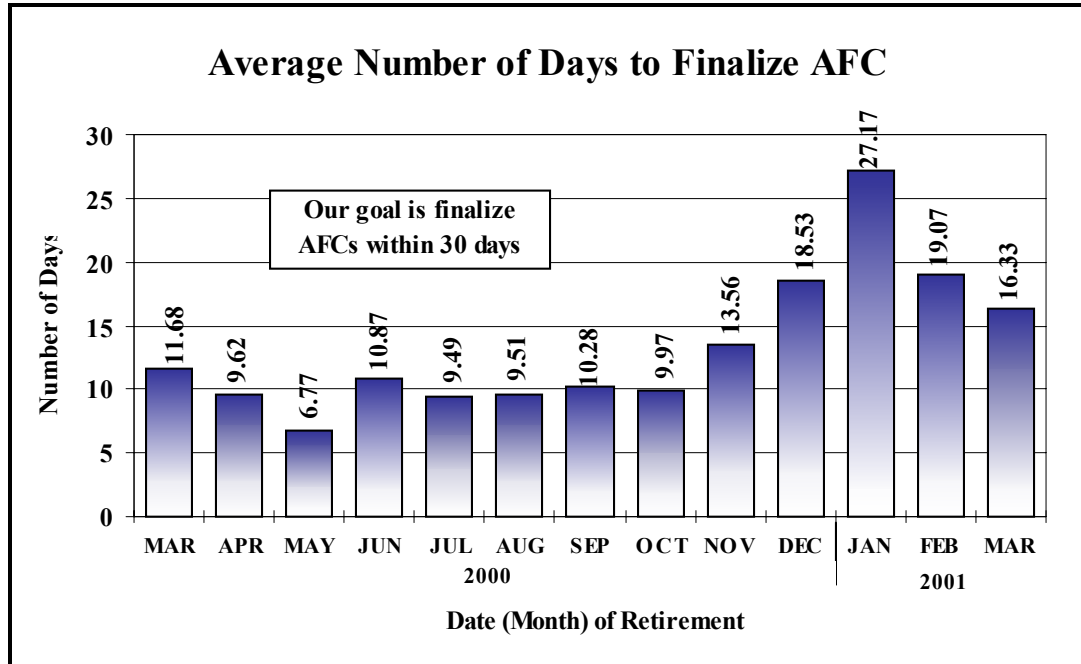


Figure 7.2-1

In response to increasing customer demands, the Financial Services Service Audit unit was established in 1999 to audit members' service credit on a proactive basis. Prior to creation of this unit, service credit was audited upon retirement. By the end of FY 2001, the Service Audit unit had audited 99.3 percent of all active accounts with 28 or more years of service.

The Retirement Systems was recognized for the quality of its financial reporting by the Government Finance Officers Association with receipt of the Certificate of Achievement for Excellence in Financial Reporting for the 14th consecutive year.

Annual cost-of-living adjustments based on the Consumer Price Index are provided to annuitants if the Retirement Systems' external actuary determines whether funding requirements have been met and if approved by the State Budget and Control Board. A 3.4 percent cost-of-living adjustment was granted effective July 1, 2001.

7.3 Human Resources Results

The Retirement Systems launched a pilot employee satisfaction survey consisting of five statements with which employees could agree or disagree. The statements gauged general job satisfaction, facilities, supervisory encouragement/empowerment, being kept up-to-date, and top leadership capability. A random sample of 17 employees responded to the survey. The pilot survey yielded an overall strongly agree or agree rating of 91.01 percent. One hundred percent of the employees responding strongly agreed or agreed that top leadership is capable and that the employees' work setting is attractive and pleasant. Ninety-four percent of respondents strongly agreed or agreed that they are generally

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satisfied with their jobs. Eighty-two percent of respondents agreed or strongly agreed that the Retirement Systems does a good job of keeping them informed about current developments. Only 79 percent agreed or strongly agreed that their supervisor encourages them to utilize their full potential. These two areas will be emphasized in improvement efforts in FY 2002. We also plan to expand the employee satisfaction survey in FY 2002.

Employee training is key to carrying out the division's customer-centric mission. Although a substantial portion is on-the-job training due to the dynamics of the services we provide, outside training is encouraged. Baldrige-specific training and diversity training are planned for all employees in FY 2002.

7.4 Supplier and Partner Results

Among the Retirement Systems' suppliers and partners are the participating employers. Employers remit member and employer contributions, enroll members, provide verification of member information, and file periodic contribution reports. The Retirement Systems strives to facilitate all of these processes for employers. One such mechanism is the EES system. Our goal is to increase the number of employers who use the EES system each year so that at least 50 percent of all employers are using the EES program by FY 2004. The percentage of employers using the EES system increased in FY 2001 to 27, or 27 percent of all employers, from 63 employers in FY 2000. These 207 employers represent 68 percent of our active membership, so although less than half of all employers are using EES, the 207 employers using EES are serving more than half of our active membership. Ultimately, availability of the system will be constrained by a lack of local resources.

Employer satisfaction was gauged in FY 2001 through a survey and focus groups. Survey results and overall focus group results are reported in 7.1, *Customer-Focused Results*.

Members of the Retirement Systems are also partners and suppliers. Members contribute to the system through payroll deduction and provide the Retirement Systems with the information necessary to create, update, and maintain their accounts. Survey results, and overall focus group and intercept interview results, are reported in 7.1, *Customer-Focused Results*.

The Retirement Systems also partners with the Office of the State Treasurer, the Office of the Comptroller General, and other offices of the State Budget and Control Board. Our Payroll department forwards monthly annuity payroll data to the State Treasurer's office, which prints annuity payroll checks. As part of its central state payroll function, the Comptroller General's office collected and remitted to the Retirement Systems' pension trust funds retirement contributions of more than \$277 million on a wage base of \$1.7 billion in FY 2001. Retirement Systems' staff is responsible for the implementation of accounting pronouncements related to the pension trust funds and has relied on the expertise of the Comptroller General's office during implementation of several accounting

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pronouncements. The Retirement Systems' procurement and human resources transactions are realized through the Board's Office of Internal Operations. The division also contracted with the Office of Human Resources for the focus group and intercept interview projects referenced throughout this report to ensure the validity and reliability of the results. The Retirement Systems utilizes various telecommunication and information technology services provided by the Office of Information Resources. Finally, we partner with the Office of the Executive Director through various staff. An example of this partnership is the information provided for the *Across the Board* newsletter, which as a result of this partnership, has featured articles on several Retirement Systems staff members, our Employee of the Year program, our Inactive Member program, and various employee profiles.

7.5 Organizational Effectiveness Results

Since the Retirement Systems' mission is one of both customer service and fiduciary stewardship, we measure our organizational effectiveness through service delivery and annual actuarial valuations. If we measured service delivery based on volume alone, FY 2001 was an outstanding year. Since satisfaction with service delivery is an equally important and appropriate measure, we made every effort to gauge the satisfaction of each segment of our customer population. Evidentiary from the customer-focused results presented in chapter 7.1 of this section is that Retirement Systems staff met the atypical challenges that arose in FY 2001 without sacrificing service to our customers. This is attributable to the Retirement Systems' employees and organizational culture. The changes in organizational structure and climate have resulted in an attitude of doing whatever it takes to provide service to our customers, and not begrudgingly. A positive, empowered staff has never been as crucial to the operations of the Retirement Systems as in FY 2001.

The laws governing the operations of the various retirement systems provide that actuarial valuations of the assets and liabilities of the systems shall be made annually for SCRS and PORS, and no less frequently than biannually for GARS and JSRS. An external actuary (Watson Wyatt Worldwide) conducts annual actuarial valuations of each of the four retirement systems.